

Message Text

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ACTION AGR-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 AS-01 /062 W

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R 021724Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6132

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DEPARTMENT PASS AGRICULTURE (FAS)

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: DISCUSSION OF CURRENT AGRICULTURAL ISSUES
WITH MINAG OFFICIALS

1. AGATT RECENTLY HAD WIDE-RANGING DISCUSSION WITH
SENIOR MINAG OFFICIALS. HIGHLIGHTS OF DISCUSSION
WERE: (1) PROBLEM AND SOLUTION TO NFDN SURPLUS IN
THE EC; (2) VIEWS ON THE DEVELOPMENT OF GRAIN REQUIRE-
MENTS IN THE EC DURING FORESEEABLE FUTURE, AND ON
GRAIN RESERVES.

2. MINAG OFFICIAL STATED THAT IT WAS UNCLEAR IN
BRUSSELS AS WELL AS BONN JUST WHAT FORM FINAL MIXING
REGULATION WOULD TAKE. HE PRESENTED THREE ALTERNATIVES
FOR EC, THE LAST OF WHICH HE STATED WAS THE ONLY
REALISTIC ALTERNATIVE: (1) TO DUMP THE NFDN ON WORLD
MARKET; (2) TO SUBSIDIZE NFDN FOR DOMESTIC FEED USE AT
AN ESTIMATED COST OF ONE-HALF BILLION U.A.; OR (3) TO
FORCE IT INTO FEED USE AT MUCH LOWER COST THROUGH THE
MIXING REGULATION. MINAG OFFICIAL THOUGHT THAT THE
LATTER COURSE WOULD SOLVE IMMEDIATE PROBLEM BUT THAT
FOR LONGER TERM, MEASURES WHICH WOULD REDUCE NFDN
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PRODUCTION WERE NECESSARY, SINCE ITS FEED USE WAS

STEADILY DECLINING BOTH IN FRG AND EC. FORCING NFDM INTO FEED ALSO HAS LIMITED POSSIBILITIES IN FRG BECAUSE OF INCREASED COSTS TO HOG PRODUCERS. WITH THESE CONSIDERATIONS AS BACKGROUND, MINAG OFFICIAL TOLD US WHAT FORM HE THOUGHT REGULATIONS MIGHT TAKE. THE SHORT-TERM (I.E. OVER THE NEXT YEAR) MEASURE WOULD BE A ONE PERCENT (NOT TWO AS PROPOSED BY THE COMMISSION) MIXING REQUIREMENT WHICH SHOULD TAKE CARE OF THREE TO FOUR HUNDRED THOUSAND METRIC TONS OF NFDM SURPLUS IN ANIMAL FEED, NOT 600,000 AS PLANNED. THE COMMISSION HAS ALSO PROPOSED ONLY A MODEST INCREASE IN DAIRY PRICES, A MOVEMENT TOWARD A MORE FLEXIBLE INTERVENTION PRICE SYSTEM, AND THE USE OF PREMIUMS TO INDUCE FARMERS TO ABANDON DAIRY OPERATIONS. MINAG OFFICIAL ALSO STATED THAT SOYBEAN REQUIREMENTS WOULD BE UP EVEN WITH MFDM MIXING REGULATION SINCE 400,000 METRIC TONS OF FISHMEAL WOULD BE UNAVAILABLE THIS YEAR.

3. MINAG OFFICIAL STATED THAT FRG GOVERNMENT HAD MADE NO DECISIONS ON SUBJECT OF GRAIN RESERVES BUT HAD PROPOSAL FROM EC COMMISSION UNDER CONSIDERATION. EC COMMISSION DRAFT CONTAINS FOLLOWING POINTS: (1) PRICE RANGE WOULD BE DETERMINED BY U. S. PRICE AT LOWEST END AND A PRICE SET ABOVE THE EC PRICE AT UPPER END; AND (2) STOCKS WOULD CONSIST OF PREDETERMINED AMOUNT TO BE RELEASED IN ACCORD WITH PRICE MOVEMENT PLUS A RESERVE TO BRIDGE ANY GAPS AT THE END OF A CROP YEAR.

4. REGARDING THE PRESENT GRAIN SITUATION, MINAG OFFICIALS STATED THAT HIGH IMPORT REQUIREMENTS OF 74/75 SEASON WERE DUE TO POOR EC CROP AND THAT HIGH YIELDING-LOW QUALITY WHEAT NOW BEING GROWN IN EC WOULD DECREASE FEEDGRAIN IMPORT REQUIREMENTS. THERE IS CONCERN THAT HIGH-YIELDING VARIETY OF WHEAT WOULD BECOME EXPENSIVE PROBLEM FOR EC AS IT IS OF VERY POOR BAKING QUALITY AND ALSO PRESENTS SOME PROBLEMS IN FEEDING.
CASH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, AGRICULTURAL ATTACHES, AGRICULTURAL POLICIES, NONFAT DRIED MILK, AGRICULTURAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN01768
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760039-0807
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760293/aaaaddoa.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by ElyME>; APPROVED <19 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DISCUSSION OF CURRENT AGRICULTURAL ISSUES WITH MINAG OFFICIALS
TAGS: EAGR, EPAP, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006